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**FISCAL IMPACT STATEMENT**

**LS 6372**

**BILL NUMBER: SB 517**

**NOTE PREPARED: Jan 29, 2015**

**BILL AMENDED:**

**SUBJECT:** Tax increment financing in Marion County.

**FIRST AUTHOR:** Sen. Young R Michael

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill requires the Indianapolis Metropolitan Development Commission to establish a new base assessed value beginning in 2017 for purposes of determining the incremental tax revenue for the Marion County Airport Economic Development Area.

The bill specifies that the base assessed value must be set at the amount that will limit the incremental revenue to 150% of the debt service of the bonds denominated as series 2007 and 2007A as of January 1, 2015. (The base assessed value is used in determining revenue for other taxing units.)

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under this bill, the base value of the Marion County Airport TIF area will be increased beginning with taxes payable in 2018. An estimated \$440 M in net AV will be added to the base AV. (For taxes payable in 2014, \$487 M in net AV was allocated to the airport TIF.) The higher base value reduces the value allocated to the TIF district. The higher base value will also result in reduced tax rates for the taxing units that serve the area. Lower tax rates will lead to smaller property tax bills and reduced revenue losses from circuit breakers.

The table below shows the estimated change in 2018 net tax by taxpayer type in Marion County.

<b>Property Type</b>	<b>Net Tax Change</b>
Homesteads	\$ -679,000
Nonhomestead Residential	-88,000
Apartments	-39,000
Farmland	0
Other Agricultural Real Property	-2,000
Other Real Property	-1,821,000
Personal Property	-1,093,000
<b>Total</b>	<b>-3,722,000</b>

For (nonTIF) taxing units, circuit breaker losses will be reduced by \$9.6 M. Net TIF revenue will be reduced by \$13.5 M. The \$13.5 M reduction includes \$13.0 M in the airport TIF and \$0.5 M in other Marion County TIFs. The non-airport TIFs lose revenue because unit tax rates are reduced by the larger base AV in the airport TIF and some of those unit tax rates apply to other TIFs as well.

Overall, total net revenues will decrease by \$3.9 M. The cost of COIT-funded homestead credits will decline by about \$130,000 in Marion County. The estimated 2018 revenue changes are shown in following table.

<b>2018 Total Net Revenue Change</b>	
<b>Unit Type</b>	<b>Revenue</b>
County	948,000
Townships	1,805,000
Cities and Towns	55,000
School Corporations	4,417,000
Libraries	313,000
Special Units	2,058,000
TIF Allocations	-13,546,000
<b>Total</b>	<b>-3,950,000</b>
<b>Total NonTIF Units</b>	<b>9,596,000</b>

There are currently three bonds that are funded from the airport TIF. The last payment (\$14.2 M) for the largest of the three will be made in 2016, leaving annual payments of almost \$1.5 M from 2017 through 2020. The second bond will be paid off in 2021 and the third bond will be paid off in 2023. Total bond payments are \$1.0 M in 2021, and \$530,000 each in 2022 and 2023. This bill will adjust the TIF base AV so that no more than 150% of these bond payments are generated beginning 2017. There will be no TIF proceeds in the airport TIF after 2023.

**State Agencies Affected:**

**Local Agencies Affected:** Indianapolis Metropolitan Development Commission; Civil taxing units and school corporations in Marion County.

**Information Sources:** LSA Property Tax Model; DLGF's Gateway Information website; County auditor abstracts.

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